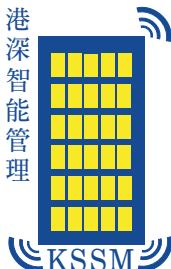


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# **Kong Shum Smart Management Group (Holdings) Limited**

## **港深智能管理集團（控股）有限公司**

*(incorporated in the Cayman Islands with limited liability)  
(Stock Code: 8181)*

### **SUPPLEMENTAL ANNOUNCEMENT**

- (1) DISCLOSURE PURSUANT TO RULE 19.04(1)(E) OF  
THE GEM LISTING RULES;**
- (2) MAJOR TRANSACTIONS IN RELATION TO  
THE PROVISION OF FINANCIAL ASSISTANCE;  
AND**
- (3) KEY FINDINGS OF THE INTERNAL CONTROL REVIEW**

**Financial adviser to the Company**  
**VINCO**   
**Vinco Financial Limited**

Reference is made to the announcement of the Company dated 20 June 2025 (the “Announcement”) in respect of, among other things, the major transactions under Chapter 19 of the GEM Listing Rules and the Loan Agreements, the respective transactions contemplated thereunder and remedial actions. Unless otherwise defined herein, capitalised terms in this announcement shall have the same meanings as those defined in the Announcement.

In addition to the information disclosed in the Announcement, the Board wishes to provide the shareholders of the Company and potential investors with additional information regarding the Loan Agreements.

## THE NON-COMPLIANCE

The Group has had a long history of business relationship with the Borrower with the Borrower being one of the major suppliers of the Group since 2017. Having considered that the Company's then idle capital, the long-term business relationship with the Borrower and the interest to be received from the granting of the loan, Dr. HO Ying Choi ("Dr. Ho"), an executive Director and a director of Kong Shum Smart Management, approved the granting of the loan and entered into the Loan Agreements for and on behalf of Kong Shum Smart Management with the Borrower at the material time. As the Borrower has been involved in a number of transactions in relation to supply of security services to the Group, due to an inadvertent oversight on part of the Directors to recognise that such advanced payment to the supplier would constitute as a notifiable transaction and would have fallen within the ambit of advance to a supplier on a stand-alone basis under the GEM Listing Rule. The Directors understand that each of the Loan Agreements on a stand-alone basis did not constitute advances to an entity and exceed 8% of the assets ratio as defined under Rule 19.07(1) of the GEM Listing Rules but they omitted to consider the effect of the Loans Agreement on an aggregate basis. As such, the Company has failed to timely comply with the relevant requirements under Chapters 17 and 19 of the GEM Listing Rules (the "Non-Compliance").

The events leading up to the execution of the Loan Agreements are as follows:

Date	Events
3 April 2024	Dr. Ho was approached by the Borrower in view of the financial need of the Borrower at that time inquiring the possibility of the provision of a loan from the Company.
4 April 2024	Dr. Ho reviewed the historical transactions between the Borrower and the Group and commenced negotiation on the terms and conditions of the loan on an arm's length basis.
6 April 2024	Dr. Ho confirmed with the Borrower the terms and conditions of the loan.
6 April 2024	Kong Shum Smart Management prepared the necessary documentation for the loan, including the agreement and cheque.
9 April 2024	The Borrower approached Dr. Ho again to request an additional loan under the same terms and conditions of the initial loan.

10 April 2024

Kong Shum Smart Management and the Borrower entered into the first loan agreement (the “**1st Loan Agreement**”) and the second loan agreement (the “**2nd Loan Agreement**”), each for a principal amount of HK\$5,000,000, with an interest rate of 8% per annum for a term of two years. Both loans were drawn down by the Borrower on the same day.

Dr. Ho did not notify the Board about the entering into of the 1st Loan Agreement and the 2nd Loan Agreement. The Board had no knowledge of the 1st Loan Agreement and the 2nd Loan Agreement at the relevant time.

11 April 2024

The Borrower approached Dr. Ho for additional loan amount due to the liquidity issue faced by the Borrower.

12 April 2024

The Borrower approached Dr. Ho again for an additional loan.

15 April 2024

The Borrower made an additional loan request. Separate agreements were entered into between Dr. Ho and the Borrower for the loans requested on 11 April 2024, 12 April 2024, and 15 April 2024, respectively, as follows:

- (a) a loan agreement for a principal amount of HK\$5,200,000 with an interest rate of 8% per annum for a term of two years (the “**3rd Loan Agreement**”);
- (b) a loan agreement for a principal amount of HK\$3,800,000 with an interest rate of 8% per annum for a term of two years (the “**4th Loan Agreement**”); and
- (c) a loan agreement for a principal amount of HK\$4,000,000 with an interest rate of 8% per annum for a term of two years (the “**5th Loan Agreement**”).

All of the above loans were drawn down on the same day of entering into of the respective loan agreements. Dr. Ho did not notify the Board about the entering into of the 3rd Loan Agreement, the 4th Loan Agreement and the 5th Loan Agreement. The Board had no knowledge of the 3rd Loan Agreement, the 4th Loan Agreement and the 5th Loan Agreement at the relevant time.

28 June 2024

The Borrower approached Dr. Ho for further financing due to its financial need.

2 July 2024

Kong Shum Smart Management and the Borrower reached an agreement and entered into the sixth loan agreement (the “**6th Loan Agreement**”) in the principal amount of HK\$2,000,000 with an interest rate of 8% per annum for a term of two years.

The loan under the 6th Loan Agreement was drawn down by the Borrower on the same day.

Dr. Ho did not notify the Board about the entering into of the 6th Loan Agreement. The Board had no knowledge of the 6th Loan Agreement at the relevant time.

3 July 2024

The Borrower approached Dr. Ho and indicated that further financing of HK\$500,000 was needed.

Kong Shum Smart Management and the Borrower entered into the seventh loan agreement (the “**7th Loan Agreement**”) in the principal amount of HK\$500,000 with an interest rate of 8% per annum for a term of two years on the same day.

The loan under the 7th Loan Agreement was drawn down by the Borrower on the same day.

Dr. Ho did not notify the Board about the entering into of the 7th Loan Agreement. The Board had no knowledge of the 7th Loan Agreement at the relevant time.

22 July 2024

The Borrower approached Dr. Ho for further financing due to its financial need.

23 July 2024

Kong Shum Smart Management and the Borrower entered into the eighth loan agreement (the “**8th Loan Agreement**”) in the principal amount of HK\$500,000 with an interest rate of 8% per annum for a term of two years.

The loan under the 8th Loan Agreement was drawn down by the Borrower on the same day.

Dr. Ho did not notify the Board about the entering into of the 8th Loan Agreement. The Board had no knowledge of the 8th Loan Agreement at the relevant time.

29 July 2024 The Borrower approached Dr. Ho for further financing due to its financial need.

30 July 2024 Kong Shum Smart Management and the Borrower entered into the nineth loan agreement (the “**9th Loan Agreement**”) in the principal amount of HK\$200,000 with an interest rate of 8% per annum for a term of two years.

The loan under the 9th Loan Agreement was drawn down by the Borrower on the same day.

Dr. Ho did not notify the Board about the entering into of the 9th Loan Agreement. The Board had no knowledge of the 9th Loan Agreement at the relevant time.

2 August 2024 The Borrower approached Dr. Ho for further financing due to its financial need.

5 August 2024 Kong Shum Smart Management and the Borrower entered into the tenth loan agreement (the “**10th Loan Agreement**”) in the principal amount of HK\$1,000,000 with an interest rate of 8% per annum for a term of two years.

The loan under the 10th Loan Agreement was drawn down by the Borrower on the same day.

Dr. Ho did not notify the Board about the entering into of the 10th Loan Agreement. The Board had no knowledge of the 10th Loan Agreement at the relevant time.

30 August 2024 The Borrower approached Dr. Ho for further financing due to its financial need.

2 September 2024 Kong Shum Smart Management and the Borrower entered into the eleventh loan agreement (the “**11th Loan Agreement**”) in the principal amount of HK\$2,000,000 with an interest rate of 8% per annum for a term of two years.

The loan under the 11th Loan Agreement was drawn down by the Borrower on the same day.

Dr. Ho did not notify the Board about the entering into of the 11th Loan Agreement. The Board had no knowledge of the 11th Loan Agreement at the relevant time.

25 September 2024 The Borrower approached Dr. Ho for further financing due to its financial need.

26 September 2024 Kong Shum Smart Management and the Borrower entered into the twelfth loan agreement (the “**12th Loan Agreement**”) in the principal amount of HK\$1,500,000 with an interest rate of 8% per annum for a term of two years.

The loan under the 12th Loan Agreement was drawn down by the Borrower on the same day.

Dr. Ho did not notify the Board about the entering into of the 12th Loan Agreement. The Board had no knowledge of the 12th Loan Agreement at the relevant time.

4 October 2024 The Borrower approached Dr. Ho for further financing due to its financial need.

7 October 2024 Kong Shum Smart Management and the Borrower entered into the thirteenth loan agreement (the “**13th Loan Agreement**”) in the principal amount of HK\$1,800,000 with an interest rate of 8% per annum for a term of two years.

The loan under the 13th Loan Agreement was drawn down by the Borrower on the same day.

Dr. Ho did not notify the Board about the entering into of the 13th Loan Agreement. The Board had no knowledge of the 13th Loan Agreement at the relevant time.

Subsequent to the 13th Loan Agreement, the Borrower approached Dr. Ho and indicated that further financing was needed due to changes of deployment arrangement.

8 October 2024 Kong Shum Smart Management and the Borrower entered into the fourteenth loan agreement (the “**14th Loan Agreement**”) in the principal amount of HK\$2,200,000 with an interest rate of 8% per annum for a term of two years.

The loan under the 14th Loan Agreement was drawn down by the Borrower on the same day.

Dr. Ho did not notify the Board about the entering into of the 14th Loan Agreement. The Board had no knowledge of the 14th Loan Agreement at the relevant time.

4 March 2025      The Borrower approached Dr. Ho for further financing due to its financial need.

5 March 2025      Kong Shum Smart Management and the Borrower entered into the fifteenth loan agreement (the “**15th Loan Agreement**”) in the principal amount of HK\$2,000,000 with an interest rate of 8% per annum for a term of two years.

The loan under the 15th Loan Agreement was drawn down by the Borrower on the same day.

Dr. Ho did not notify the Board about the entering into of the 15th Loan Agreement. The Board had no knowledge of the 15th Loan Agreement at the relevant time.

12 May 2025      During the preparation of the Group’s annual results for the financial year ended 31 March 2025, and in the course of responding to information requests from the Company’s auditor, including, but not limited to the Group’s loan transactions, the Board reviewed the Group’s loan transactions under the Loan Agreements. As part of the Board’s ongoing monitoring of the Group’s financial position and in accordance with the terms of the Loan Agreements, the Board decided to initiate a repayment request to the Borrower.

20 May 2025      Kong Shum Smart Management took immediate action and informed the Borrower and demanded for early repayment of loans in accordance to the terms of the Loan Agreements. An early repayment notice was issued to the Borrower on the same date.

12 June 2025      Based on the then information available to the Board, the Announcement was prepared in order to rectify the Non-Compliance.

20 June 2025      A Board meeting was convened and Dr. Ho provided the Board with the relevant documents regarding the Loan Agreements and the reason for the failure to timely reporting to the Board. The Board resolved to take immediate actions to rectify the Non-Compliance by, among others, publishing the Announcement as soon as possible. The advanced draft Announcement was circulated to the Board at the meeting.

The Borrower settled all the principal amount and accrued interest thereon during the period from 9 June 2025 to 20 June 2025, and each of the Loan Agreement were terminated on 20 June 2025.

20 June 2025      The Company published the Announcement after the trading hours of the Stock Exchange.

## **EXISTING INTERNAL CONTROL OF THE GROUP**

The internal control procedures of the Group in relations to payment which are outlined in our operational and procedural manuals are set out below:

### **1. Payment approval**

For payment below HK\$100,000, two authorised persons' signatures are required. For payment above HK\$100,000, two authorised persons' signatures are required and one of the signers must be a director of the Group. The cheque copies will be kept by the accounting department of the Company. Any expenditure items exceeding HK\$1,000 per single invoice must be approved by Dr. Ho.

The accounting department must check the amount of bank balance prior to issuance of any cheques. If any problems are found, it must be reported to the supervisor in a timely manner.

The accounting officer must review the relevant payment requests to ensure that the amount is accurate and that the director or chief financial officer has signed and approved the payment form before recording and issuing payment.

The accounting vouchers prepared by the accounting officer must first be submitted to the finance manager for review and signature.

The financial controller must review the accounting vouchers again, after which the directors must also sign and verify the accounting vouchers.

### **2. Contract management**

All contracts must be signed by personnel with manager grade or above to be valid, and the manager is responsible for explaining the contract details to the executive staff. Any violation of the contract terms must be reported and handled by the responsible manager and to be reviewed by the senior manager or director.

The Board is of the view that absence of written policy related to clear approval and supervisory processes of borrowings of the Group is the main reason of the Non-Compliance as the existing internal control procedures in relation to advance payment and contracts can be executed without the prior approval from the Board. In addition, lack of reporting mechanism to the Board of significant issues under the existing internal control policy also caused delay in notification of non-compliance. Staff overall awareness of evaluating the transactions for the potential disclosure is weak and on-going compliance management mechanism needed to be strengthened. Moreover, the existing internal control procedures also lack of mechanisms of seeking external assistance when transactions have been reported to have occurred and the Directors are uncertain whether it would fall under the disclosure requirements under the GEM Listing Rules.

## **PROPOSED INTERNAL CONTROL REVIEW**

As part of the remedial measures and to prevent the reoccurrence of the similar incidents of non-compliance with the GEM Listing Rules, the Company has engaged Affluence Professional Services Limited, an independent internal control consultant (“**IC Consultant**”), to conduct an internal control review of the Group’s internal procedures (“**IC Review**”) over the Non-Compliance with a view to enhancing the Company’s internal control and corporate governance generally.

The proposed scopes of the IC Review, with a review period from 11 July 2025 to 31 August 2025, includes the following internal control procedures:

1. identification of notifiable and/or connected transactions, supervision and compliance with Chapter 19 and Chapter 20 of the GEM Listing Rules;
2. funds management, approval of fund transfers, advances to entity, granting of loans and treasury management;
3. communication and reporting mechanism among the management of the Company and various departments of the Group;
4. compliance with the disclosure obligations relating to advances to entity and financial assistance and guarantees to affiliated companies under Rules 17.15 to 17.18 of the GEM Listing Rules;
5. compliance with the disclosure obligations relating to notifiable transactions under Rule 19.04 of the GEM Listing Rules;
6. monitoring and regular reporting mechanism among the subsidiaries and associated companies (if any) within the Group;
7. financial reporting process and disclosure control, in particular, relating to related parties and connected party transactions;
8. compliance with the disclosure obligations relating to inside information under Rule 17.10 of the GEM Listing Rules and the inside information provisions under Part XIVA of the Securities and Futures Ordinance;

9. compliance with the Corporate Governance Code under Appendix C1 to the GEM Listing Rules; and
10. continuous training of management of the Group.

In particular, the IC Review of items 1 to 6 above would cover the matters relating to the Loan Agreements and advance to the entity.

## **KEY FINDINGS OF THE INTERNAL CONTROL REVIEW**

The IC Consultant commenced its initial review on 11 July 2025. With reference to the findings of the initial review, the Company has implemented the recommendations from the IC Consultant. Subsequently, the IC Consultant has performed a follow-up review and issued a final review report.

### **Key findings and results of the IC Review**

The IC Consultant identified multiple internal control deficiencies throughout the IC Review. The Company's management has responded and outlined a remedial plan addressing all identified deficiencies to strength the Company's internal control. The Board has reviewed the report and discussed the plans with the IC Consultant. Certain material deficiencies that are considered to be material are summarised as follows:

Key findings	Recommended rectification	Company's response/rectification status
<p>1. The Group did not have written policies and procedures that covers matters including the identification of notifiable transactions, processing and oversight, communication and reporting mechanism, requirements for the disclosure of notifiable transactions, financial reporting procedure, continuous training management, compliance with Chapter 19 of the GEM Listing Rules and roles and responsibilities.</p>	<p>The Group should establish written policies and procedures that covers such matters to ensure the practice is consistent and effective in the Group. Such policies and procedures should be reviewed and approved by the management of the Group and timely communicated to the relevant employees before implementation and reviewed periodically.</p>	<p>The Group has established written policies and procedures to ensure consistent and effective operations across the Group, which includes assigning the financial controller of the Company (the “FC”) as the primary liaison for all potential notifiable transactions and requiring all business units and departments to promptly report any potential transactions to the FC. The FC would then work with the company secretary of the Company (the “<b>Company Secretary</b>”) to obtain all information and advice necessary to determine whether such transaction falls under Chapter 19 of the GEM Listing Rules and classify such transaction where necessary by conducting the size test. If it is determined that a transaction is subject to requirements under Chapter 19 of the GEM Listing Rules, the FC and the Company Secretary shall be responsible to handle all disclosure, meeting and approval requirements and report to the Board where necessary to obtain their approval. They shall also maintain a confidential register documenting the details of the notifiable transactions.</p>

Key findings	Recommended rectification	Company's response/rectification status
<p>2. The Group did not have a formal written policy outlining the procedures for identifying and handling notifiable transactions. There was no designated officer or team officially tasked with the responsibility of monitoring, evaluating and reporting with lack of structure and accountability.</p>	<p>The Group should appoint an officer to be responsible for the monitoring, evaluating and reporting of potential notifiable transactions.</p>	<p>The Group has assigned the FC and the Company Secretary as the designated officers to oversee the monitoring, evaluating and reporting of potential notifiable transactions by being responsible for conducting the mandatory financial viability assessment and legal and regulatory compliance review to ensure that all requirements with the GEM Listing Rules are complied with as part of the transaction approval process.</p>
<p>3. Kong Shum Smart Management did not prepare size tests for various transactions during the review period for the IC review, including but not limited to the Loan Agreements.</p>	<p>Kong Shum Smart Management should consistently conduct size test when it encounters such a transaction to determine whether further work in accordance with Chapter 19 of the GEM Listing Rules is required.</p>	<p>The Company will continue to ensure that its subsidiaries will consistently conduct a size test for all such transactions, under the monitoring of the designated officer.</p>

Key findings	Recommended rectification	Company's response/rectification status
4. There was a delay in reporting to the Board as the transactions should have been subject to the Board's prior review and approval.	Kong Shum Smart Management should implement and consistently enforces a formal control requiring all extra-ordinary and material transactions to go through the Board approval.	The Company has implemented a formal control for the Board's prior approval on all extra-ordinary and material transactions, which entails a control policy for contract management to delineate the review and approval procedures for all contracts entered into by the Company. The contract would firstly be reviewed and classified by the FC as material or non-material based on criteria such as financial commitment, nature of transaction, whether related parties are involved, term of contract and whether it falls outside the ordinary course of business of the Group. For all material contracts and contracts subject to requirements under Chapters 19 and 20 of the GEM Listing Rules, it is mandatory to obtain approval from legal and compliance review, the Company Secretary and finally the Board before an individual is authorised for execution.
5. Continuous training was not sufficient leading to unintentional non-compliance of Chapter 19 of the GEM Listing Rules.	The Group should expand its ongoing training efforts by providing comprehensive guidance and relevant training materials focused on compliance requirements for all Directors, senior management, financial staff and other responsible personnel.	Training were conducted on 30 July 2025 and 31 July 2025 for all Board members, the FC and heads of each department of the Company and the Company Secretary has also undertaken relevant trainings in relation to the requirements under Chapter 19 of the GEM Listing Rules. The Group will continue to ensure that all relevant personnel will receive necessary guidance on compliance requirement and any update.

Key findings	Recommended rectification	Company's response/rectification status
6. The Group did not have sufficient policies and procedures covering identifying and overseeing connected transaction, processing and oversight, communication and reporting mechanism, requirements for the disclosure of connected transactions, financial reporting procedure, continuous training management, compliance with Chapter 20 of the GEM Listing Rules and roles and responsibilities.	The Group should establish written policies and procedures that covers such matters to ensure the practice is consistent and effective in the Group. Such policies and procedures should be reviewed and approved by the management of the Group and timely communicated to the relevant employees before implementation and reviewed periodically.	The Group has established written policies and procedures to ensure consistent and effective operations across the Group.
7. The Group relied on directors to proactively report connected transactions, but it lacks systematic framework and may lead to oversight.	The Group should establish a connected party list, which should include all connected parties and be updated periodically.	The Group has established a connected party list and it shall be updated regularly and shared with relevant staff.
8. Declaration of interest form is only signed at the commencement of the employment of Directors and employee and any conflict of interest would only be declared proactively afterwards.	The Group should require the Directors to declare their interests annually and their transactions contracted between the Group and their connected parties during the year.	The Group has requested the Directors to declare their interests annually including any transactions with connected parties.
9. The Group did not comply with the disclosure requirements regarding the advances to entities under the Rules 17.15 to 17.18 of the GEM Listing Rules.	The Group should incorporate the relevant GEM Listing Rules requirements into its internal policies and designate responsible personnel to oversee compliance with disclosure requirements.	The Group has revised its internal policies and designated the FC as the responsible personnel.
10. An overlap in responsibilities of accounts payable team members of the finance department created conflict between processing and control functions, which may compromise the effectiveness of internal record-keeping and diminish overall financial control integrity.	The Group should segregate the processing and control functions of accounts payable to strengthen monitoring controls and enhances ability to detect and prevent errors and irregularities.	The Group has implemented the segregation of processing and control functions of accounts payable, whereby different staff would handle cheque books and petty cash to improve monitoring.

Key findings	Recommended rectification	Company's response/rectification status
11. The Group did not circulate financial closing to all the Board members on a monthly basis.	The Group should provide financial update to the Board every month after the month-end closing, including monthly management accounts, management updates and background or explanatory information.	The Group has implemented the circulation of financial update to the Board monthly after the month-end closing, including management accounts and relevant information. The first financial update covering the month of July 2025 has been distributed.
12. There was a lack of an audit trail for amendments of general ledger accounts, which only required verbal approval from the associate director and FC.	The Group should document the approval of change of chart of account in writing.	The Group has implemented the requirement to document the approval of any changes to the chart of accounts in writing.
13. The Group did not have a predefined authorisation protocol and approval procedures for transactions that fall outside the scope of its regular business operations.	The Group should establish a predefined authorisation protocol and approval procedures for transactions that fall outside the scope of its regular business operations in the policy to cover eligibility criteria, maximum loan amounts, repayment terms and collateral requirements.	The Group has implemented a predefined authorisation protocol and approval procedures, which includes classification of materiality of contracts based on preset criteria such as financial commitment, nature of transaction, whether related parties are involved, term of contract and whether it falls outside the ordinary course of business of the Group. The level of authorisation and approval required varies depends on the materiality classification. For non-material contracts, legal and compliance review is recommended, whereas for all material contracts and contracts subject to requirements under Chapters 19 and 20 of the GEM Listing Rules, it is mandatory to obtain approval from legal and compliance review, the Company Secretary and finally the Board before an individual is authorised for execution.

Key findings	Recommended rectification	Company's response/rectification status
14. The finance department kept a petty cash balance of HK\$370,000 as of 30 June 2025, which significantly deviated from the Group's petty cash policy of up to HK\$20,000, which compromised prudent financial management. Usage of petty cash remained low over an extended period, indicating potential inefficiencies in cash utilisation.	The management should conduct a review of the petty cash balance in light of the actual operational needs, whereby excess cash should be promptly deposited back into the bank account to optimise fund utilisation. Petty cash policy should be updated to reflect a realistic and appropriate balance which aligns with current operational requirements.	The Group has reviewed the petty cash balance and updated the policy accordingly. The extra petty cash balance has been deposited into the bank account.
15. The Group did not have sufficient policies and procedures covering identifying and overseeing inside information, maintenance and review of sensitivity list, processing and oversight and restriction of access to inside information, communication and reporting mechanism, requirements for the disclosure of inside information, procedures for responding to market rumours, leaks and inadvertent disclosures, ongoing training and development, compliance with Rule 17.10 of the GEM Listing Rules and the inside information provisions under Part XIVA of the Securities and Futures Ordinance and roles and responsibilities.	The Group should establish written policies and procedures that covers such matters to ensure the practice is consistent and effective in the Group. Such policies and procedures should be reviewed and approved by the management of the Group and timely communicated to the relevant employees before implementation and reviewed periodically.	The Group has established written policies and procedures to ensure consistent and effective operations across the Group.
16. The Group did not have a sensitivity list which outlined most of the inside information cases.	The Group should establish and maintain a sensitivity list, which should be reviewed and approved by the Board periodically.	The Group has established a sensitivity list, which will be reviewed and approved by the Board periodically and circulated to the relevant management staff.

Key findings	Recommended rectification	Company's response/rectification status
17. The Group did not officially appointed a chief executive officer and the daily operation and management of the Company were monitored by the executive Directors and senior management.	The Group should review the company structure periodically to determine whether the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.	The Board is of the view that this is most suitable choice of having the same individual serving as both chairman and chief executive officer at the current time to ensure efficient decision-making and unified leadership. However, the Group will regularly assess the governance structure to ensure alignment with the Company's strategic objectives.
18. The Group did not hold any meeting with the independent non-executive Directors without the presence of other Directors.	The Group should hold a meeting without the presence of executive Directors every year and maintain a record of the meeting.	The Company will hold an annual meeting without executive Directors and maintain a record of such meeting and has updated the relevant policy accordingly.

## FOLLOW-UP REVIEW

The IC Consultant has completed the follow-up review on 29 August 2025. The IC Consultant confirmed that the Company has adopted and implemented all the relevant remedial measures suggested in the IC Review to rectify those internal control deficiencies. As of the date of this announcement, the Board confirms that those relevant internal control deficiencies identified by the IC Consultant have all been adequately addressed through the remedial measures outlined above. The Company believes that adequate internal controls and procedures have been in place in the Company to comply with the GEM Listing Rules.

## INFORMATION OF THE BORROWER

The Borrower is a company incorporated in Hong Kong with limited liability, which is principally engaged in the provision of security services. The Borrower is wholly owned by Mr. LEUNG Wing Fai, an Independent Third Party.

## **LATEST STATUS AND OPINIONS OF THE BOARD**

After conducted internal review on the occurrence of the incident and discussed the main cause of the incident, the Board considers that the Non-Compliance was mainly due to Director's unfamiliarity and mistaken interpretation of the GEM Listing Rules without proper internal control procedures to safeguard the transactions relating to granting of loan and failure to timely notify the Board of the entering into of the Loan Agreements at the relevant time. In order to enhance the internal control procedures of the Company, the Board is of the view that by engaging an internal control consultant to conduct an independent investigation and review involving, among others, assessment of the effectiveness of the Group's internal control procedures would help the Company to identify any deficiencies in identifying, reporting and monitoring any notifiable and connected transactions under the GEM Listing Rules, and make recommendations to the Board and the audit committee to enhance the relevant internal control policies.

The Board is also of the view that the continuing training sessions supported by the relevant guidance and training materials on compliance requirements is critical to the Directors, senior management, the financial staff and the relevant responsible staff of the Group so as to reinforce their understandings of and importance of compliance with the GEM Listing Rules as well as the other relevant rules and regulations, which would effectively improve the standard of corporate governance within the Group. Given that the Non-Compliance involved a wholly-owned subsidiary of the Group, the Board considers that better communication has to be implemented within the Group by requiring the subsidiaries of the Company to provide the list of proposed transactions, including provision and renewal of loans, with the material terms to the FC, with the support from the Company Secretary where necessary, for review. With the assistance from the external professional legal advisers, the Board aims to establish an additional control measure to perform a pre-engagement review for all potential transactions and to prevent the recurrence of similar non-compliances in the future.

As of the date of this announcement, the Company has provided the guidance materials and re-issue relevant guidance and training materials on Chapter 17, Chapter 19 and Chapter 20 of the GEM Listing Rules to the Directors, senior management, the financial staff and the relevant staff of the Group to enhance their awareness and knowledge of the GEM Listing Rules. In addition, the Company has reviewed the relevant internal control measures and written policy of the Group, including but not limited to contract signing procedures and such control measures will be continued in an on-going basis. The Company has also requested all its subsidiaries to provide a list of proposed transactions for review and if any issue is discovered in the progress, it will be escalated to the Board for further discussion and handling. Moreover, the Company has engaged an external legal adviser to provide professional advisory service on various compliance matters.

Furthermore, the Board has reviewed the content and the findings and results of the internal control review and follow-up review in the IC Review. The Company has been advised that the management has acknowledged and agreed with the findings and results by the IC Consultant. The Company has adopted all the relevant advice and recommendations suggested by the IC Consultant, and has adopted, revised and/or strengthened (as applicable) relevant policies and procedures of the Company, specifically the identification and handling of the management of the Company of transactions potentially falling under the ambit of Chapter 19 of the GEM Listing Rules, in addressing the internal control deficiencies associated with the non-compliance related to the Transactions. The IC Consultant has conducted the follow-up review after the implementation of relevant remedial measures by the Group. After considered the internal control review report and the remedial measures taken by the Company, the Board is of the view that: (a) all internal control deficiencies identified in the IC Review have been adequately addressed through appropriate recommended rectifications; (b) the remedial measures taken and updated internal control procedures implemented by the Company are sufficient and adequate to effectively prevent noncompliance of similar incidents in the future; and (c) the Company has established sufficient and reliable governance, internal control, and financial reporting systems to perform its obligations under the GEM Listing Rules.

The Board believes that the implementation of the above remedial measures will strengthen and reinforce the knowledge of the responsible staff, management and Directors and will enhance the compliance of the Company of the GEM Listing Rules and prevent reoccurrence of similar non-compliance in the future.

By order of the Board  
**Kong Shum Smart Management Group (Holdings) Limited**  
**Dr. HO Ying Choi**  
*Chairman*

Hong Kong, 24 November 2025

*As at the date of this announcement, the executive Directors are Dr. HO Ying Choi (Chairman) and Ms. HO Siu Chun, and the independent non-executive Directors are Mr. LAM Pun Yuen Frank, Mr. CHAN Fei Fei and Mr. MAK Siu Hong.*

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

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